

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

CONNIE COHN, TREASURER



Dave Yost • Auditor of State

Board of Education
Triad Local School District
7920 Brush Lake Road
North Lewisburg, Ohio 43060

We have reviewed the *Independent Auditor's Report* of the Triad Local School District, Champaign County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Triad Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 13, 2016

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Triad Local School District
Champaign County
7920 Brush Lake Rd.
North Lewisburg, Ohio 43060

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Triad Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Triad Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Triad Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Triad Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, Schedule of the district's proportionate share of the net pension liability - School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio, and Schedule of district contributions - School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

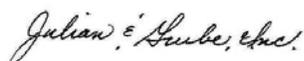
Our audit was conducted to opine on the Triad Local School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Triad Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Triad Local School District's internal control over financial reporting and compliance.



**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's discussion and analysis of the Triad Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position of governmental activities increased \$640,418 which represents a 191.84% increase from 2014's restated net position.
- General revenues accounted for \$9,299,370 or 80.83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,205,454 or 19.17% of total revenues of \$11,504,824.
- The District had \$10,864,406 in expenses related to governmental activities; \$2,205,454 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,299,370 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$10,242,405 in revenues and \$9,858,945 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$383,460 from a balance of \$701,933 to \$1,085,393.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as major fund.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, revenues, deferred inflows and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, administration, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 12. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. This activity is reported in the agency fund. All of the District's fiduciary activities are reported in the statement of fiduciary assets and liabilities on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-59 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 60 through 66 of this report.

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**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	Net Position	
	Governmental Activities 2015	Restated Governmental Activities 2014
<u>Assets</u>		
Current and other assets	\$ 4,968,279	\$ 4,526,798
Capital assets, net	<u>15,396,243</u>	<u>15,931,842</u>
Total assets	<u>20,364,522</u>	<u>20,458,640</u>
<u>Deferred outflows</u>		
Unamortized deferred charges on debt refunding	68,466	77,698
Pension	<u>793,029</u>	<u>666,442</u>
Total deferred outflows	<u>861,495</u>	<u>744,140</u>
<u>Liabilities</u>		
Current liabilities	1,008,843	1,079,238
Long-term liabilities:		
Due within one year	453,500	445,910
Due in more than one year		
Net pension liability	11,223,303	13,334,418
Other amounts	<u>4,265,933</u>	<u>4,766,202</u>
Total liabilities	<u>16,951,579</u>	<u>19,625,768</u>
<u>Deferred inflows</u>		
Property taxes levied for the next fiscal year	1,940,198	1,910,847
Pension	<u>2,027,657</u>	<u>-</u>
Total deferred inflows	<u>3,967,855</u>	<u>1,910,847</u>
<u>Net Position</u>		
Net investment in capital assets	11,699,403	11,783,979
Restricted	447,724	492,485
Unrestricted (deficit)	<u>(11,840,544)</u>	<u>(12,610,299)</u>
Total net position (deficit)	<u>\$ 306,583</u>	<u>\$ (333,835)</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$12,334,141 to (\$333,835).

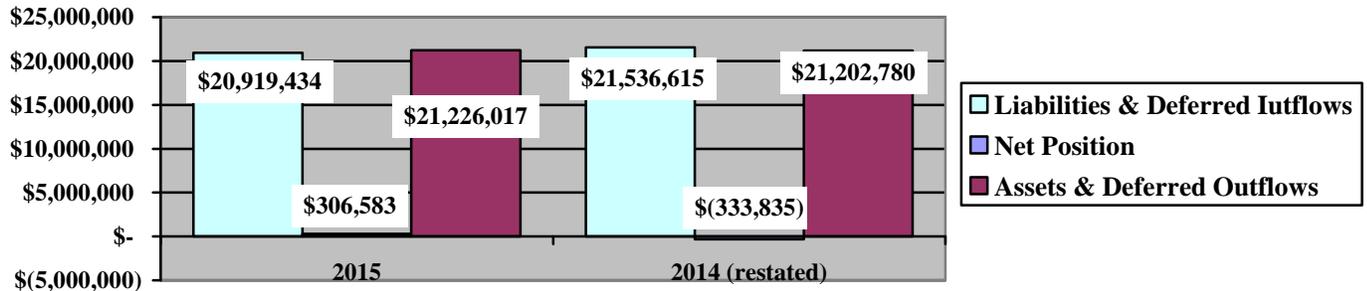
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets plus deferred outflow exceeded liabilities plus deferred inflows by \$306,583.

At fiscal year-end, capital assets represented 75.60% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2015, was \$11,699,403. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$447,724, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$11,840,544).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.

Governmental Activities



**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The table below shows the change in net position for fiscal year 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 954,350	\$ 977,863
Operating grants and contributions	1,222,884	1,121,522
Capital grants and contributions	28,220	30,528
General revenues:		
Property taxes	2,430,469	1,906,069
School district income tax	1,817,795	1,841,963
Grants and entitlements	4,974,677	5,087,114
Investment earnings	2,833	1,474
Other	<u>73,596</u>	<u>73,646</u>
Total revenues	<u>11,504,824</u>	<u>11,040,179</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,263,616	\$ 4,663,376
Special	1,367,517	1,250,936
Vocational	159,499	177,457
Support services:		
Pupil	577,663	560,103
Instructional staff	232,940	280,962
Board of education	-	4,904
Administration	920,686	839,139
Fiscal	365,386	346,013
Business	7,093	8,284
Operations and maintenance	1,016,330	1,085,624
Pupil transportation	666,459	631,874
Central	211,834	210,714
Operation of non-instructional services:		
Food service operations	428,528	454,323
Extracurricular activities	430,313	455,281
Interest and fiscal charges	<u>216,542</u>	<u>227,173</u>
Total expenses	<u>10,864,406</u>	<u>11,196,163</u>
Change in net position	640,418	(155,984)
Net position at beginning of year (restated)	<u>(333,835)</u>	<u>(177,851)</u>
Net position (deficit) at end of year	<u>\$ 306,583</u>	<u>\$ (333,835)</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$666,442 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$477,330.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 10,864,406
Pension expense under GASB 68	(477,330)
2015 contractually required contributions	<u>687,375</u>
Adjusted 2015 program expenses	11,074,451
Total 2014 program expenses under GASB 27	<u>11,196,163</u>
Decrease in program expenses not related to pension	<u>\$ (121,712)</u>

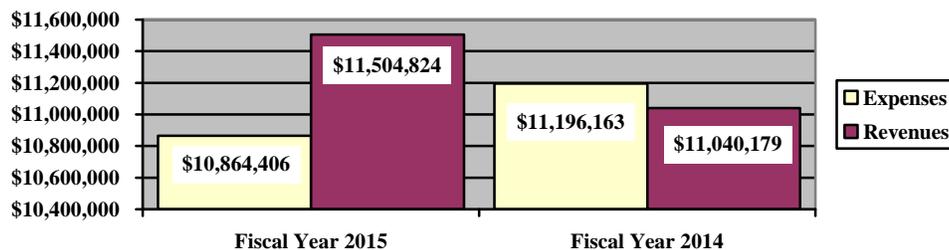
Net position of the District's governmental activities increased \$640,418. Total governmental expenses of \$10,864,406 were offset by program revenues of \$2,205,454 and general revenues of \$9,299,370. Program revenues supported 20.24% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent \$9,222,941 or 80.17% of total governmental revenues. Property tax revenue increased due to the amount of real estate and income tax revenues received during the current fiscal year. The increased was also caused by the fluctuations in the amount of tax collected amounts available for advance at fiscal year-end by the County Auditor. Tax advances available are recorded as revenue under GAAP. For all governmental activities, the amount of tax advances available at June 30, 2015 and June 30, 2014 was \$423,195 and \$390,224, respectively. The amount of tax revenues and tax advance available at year-end can vary depending upon when the County Auditor distributes tax bills.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,790,632 or 53.30% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2015 and 2014.

Governmental Activities - Revenues and Expenses



**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

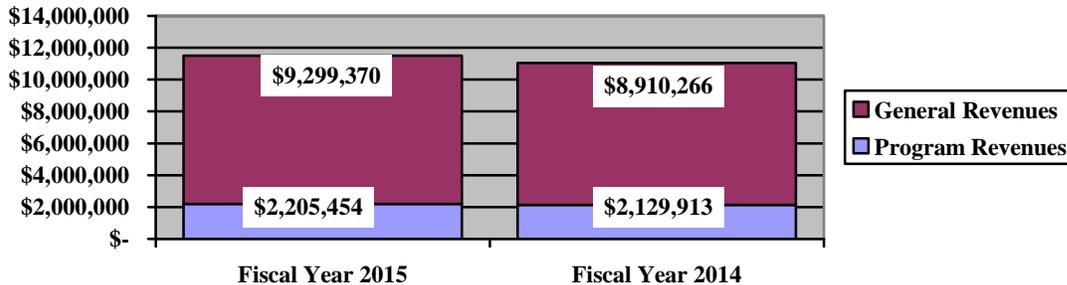
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Program expenses				
Instruction:				
Regular	\$ 4,263,616	\$ 4,124,388	\$ 4,663,376	\$ 4,066,950
Special	1,367,517	(11,063)	1,250,936	501,088
Vocational	159,499	130,833	177,457	146,560
Support services:				
Pupil	577,663	538,731	560,103	491,751
Instructional staff	232,940	232,940	280,962	280,497
Board of education	-	-	4,904	4,904
Administration	920,686	920,686	839,139	839,139
Fiscal	365,386	365,386	346,013	346,013
Business	7,093	7,093	8,284	8,284
Operations and maintenance	1,016,330	1,016,330	1,085,624	1,081,613
Pupil transportation	666,459	666,459	631,874	623,471
Central	211,834	206,434	210,714	202,614
Operation of non-instructional services:				
Food service operations	428,528	5,887	454,323	5,911
Extracurricular activities	430,313	266,526	455,281	270,810
Interest and fiscal charges	216,542	188,322	227,173	196,645
Total expenses	<u>\$ 10,864,406</u>	<u>\$ 8,658,952</u>	<u>\$ 11,196,163</u>	<u>\$ 9,066,250</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 73.29% of instructional activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.70%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the most significant sources of support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2015 and 2014.

Governmental Activities - General and Program Revenues



**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The District's Funds

The District's governmental funds reported a combined fund balance of \$1,529,817, which is higher than last year's total of \$1,080,735. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance <u>June 30, 2014</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,085,393	\$ 701,933	\$ 383,460	54.63 %
Other Governmental	<u>444,424</u>	<u>378,802</u>	<u>65,622</u>	17.32 %
Total	<u>\$ 1,529,817</u>	<u>\$ 1,080,735</u>	<u>\$ 449,082</u>	41.55 %

General Fund

The District's general fund balance increased \$383,460. Revenues exceeded expenditures during fiscal year 2015 by \$599,133. The general fund transferred \$215,673 into a nonmajor governmental fund.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2015 <u>Amount</u>	2014 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,034,159	\$ 3,839,020	\$ 195,139	5.08 %
Tuition	571,635	521,111	50,524	9.70 %
Earnings on investments	2,833	1,474	1,359	92.20 %
Intergovernmental	5,485,633	5,532,528	(46,895)	(0.85) %
Other revenues	<u>148,145</u>	<u>178,991</u>	<u>(30,846)</u>	(17.23) %
Total	<u>\$ 10,242,405</u>	<u>\$ 10,073,124</u>	<u>\$ 169,281</u>	1.68 %
<u>Expenditures</u>				
Instruction	\$ 5,347,021	\$ 5,620,324	\$ (273,303)	(4.86) %
Support services	3,798,765	3,642,742	156,023	4.28 %
Extracurricular activities	267,893	255,230	12,663	4.96 %
Facilities acquisition and construction	-	2,612	(2,612)	(100.00) %
Capital outlay	-	415,093	(415,093)	(100.00) %
Debt service	<u>229,593</u>	<u>142,585</u>	<u>87,008</u>	61.02 %
Total	<u>\$ 9,643,272</u>	<u>\$ 10,078,586</u>	<u>\$ (435,314)</u>	(4.32) %

Revenues of the general fund increased \$169,281 or 1.68%. The most significant increase was in the area of tax revenue which is due to an increase in the amount of real estate and income tax revenues received by the District during the year. Tuition revenue increased due to an increase in revenue received from open enrollment.

Expenditures of the general fund decreased \$435,314 or 4.32%. The decrease in capital outlay and increase in debt service expenditures is due to the District signing a capital lease agreement during the prior fiscal year. Instruction and support services fluctuated slightly during the year mostly due to personnel costs.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2015, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$10,075,587 were that same as the final budget. Actual revenues and other financing sources for fiscal year 2015 were \$10,304,041. This represents a \$228,454 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$9,962,239 were increased to \$10,090,326 in the final budget. The actual budget basis expenditures for fiscal year 2015 totaled \$9,882,804, which was \$207,522 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$15,396,243 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2015 balances compared to 2014.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$ 414,157	\$ 414,157
Land improvements	74,770	81,336
Building and improvements	14,254,774	14,654,844
Furniture and equipment	116,723	180,231
Vehicles	535,819	601,274
Total	\$ 15,396,243	\$ 15,931,842

The overall decrease in capital assets of \$535,599 is due to depreciation expense of \$553,417 exceeding capital outlays of \$17,818. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2015 the District had general obligation bonds, energy conservation notes, lease-purchase obligations and capital lease obligations outstanding. Of the total long-term debt outstanding, \$347,680 is due within one year and \$3,910,731 is due in greater than one year.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The following table summarizes the bonds, notes capital leases and lease-purchase agreement outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General Obligation Bonds	\$ 1,660,000	\$ 1,835,000
Energy conservation notes	595,000	645,000
Lease-purchase agreement	1,935,938	2,156,085
Capital lease agreement	<u>67,473</u>	<u>118,843</u>
Total	<u>\$ 4,258,411</u>	<u>\$ 4,754,928</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District continues to manage its general fund budget prudently in order to optimize the dollars available for educating the students it serves, and to minimize the amounts needed from the District's citizens locally. The District, like most other school districts, is facing very difficult challenges in the area of budget management. Due to the ongoing uncertainty in State funding, the District is approaching anticipated future revenue very conservatively. The District relies heavily upon real estate taxes, income taxes (1% continuing and 1/2% for a five-year term ending 2020) and State aid to support its budget. These three areas of revenue accounted for approximately 90% of the general fund revenue in fiscal year 2015 with State aid providing the largest percentage of the three at around 53.6%.

In an effort to reduce costs in future years the District continues to look at innovative ways of lowering expenses where possible without drastically affecting student programs. The District financed 5 new school buses over a 5 year period. This will allow for continued savings on repairs and maintenance on our fleet by using the 3-year warranty on all five buses. All expenses are reviewed throughout the year with the entire administrative team for possible changes and reductions. When any District staff member leaves, the current administration looks at all possible alternatives before hiring a replacement.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Connie Cohn, Treasurer, Triad Local School District, 7920 Brush Lake Rd, North Lewisburg, Ohio 43060.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,466,125
Receivables:	
Property taxes	2,543,556
Income taxes.	716,426
Accounts.	352
Intergovernmental	174,022
Prepayments	62,732
Inventory held for resale.	5,066
Capital assets:	
Land.	414,157
Depreciable capital assets, net.	14,982,086
Capital assets, net	15,396,243
Total assets.	20,364,522
 Deferred outflows of resources:	
Unamortized deferred charges	
on debt refunding	68,466
Pension - STRS	613,860
Pension - SERS	179,169
Total deferred outflows of resources	861,495
 Liabilities:	
Accounts payable.	54,833
Accrued wages and benefits payable	742,412
Pension obligation payable.	135,591
Intergovernmental payable	62,637
Accrued interest payable	13,370
Long-term liabilities:	
Due within one year.	453,500
Due in more than one year:	
Net pension liability	11,223,303
Other amounts due in more than one year	4,265,933
Total liabilities	16,951,579
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	1,940,198
Pension - STRS.	1,679,496
Pension - SERS.	348,161
Total deferred inflows of resources	3,967,855
 Net position:	
Net investment in capital assets	11,699,403
Restricted for:	
Classroom facilities maintenance	60,700
Debt service.	129,169
Locally funded programs	875
State funded programs.	3,865
Federally funded programs	75,838
Student activities	75,596
Other purposes	101,681
Unrestricted (deficit)	(11,840,544)
Total net position.	\$ 306,583

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,263,616	\$ 68,879	\$ 70,349	\$ -	\$ (4,124,388)
Special	1,367,517	554,060	824,520	-	11,063
Vocational	159,499	-	28,666	-	(130,833)
Support services:					
Pupil	577,663	-	38,932	-	(538,731)
Instructional staff	232,940	-	-	-	(232,940)
Administration	920,686	-	-	-	(920,686)
Fiscal	365,386	-	-	-	(365,386)
Business	7,093	-	-	-	(7,093)
Operations and maintenance	1,016,330	-	-	-	(1,016,330)
Pupil transportation	666,459	-	-	-	(666,459)
Central	211,834	-	5,400	-	(206,434)
Operation of non-instructional services:					
Food service operations	428,528	170,082	252,559	-	(5,887)
Extracurricular activities	430,313	161,329	2,458	-	(266,526)
Interest and fiscal charges	216,542	-	-	28,220	(188,322)
Total governmental activities	<u>\$ 10,864,406</u>	<u>\$ 954,350</u>	<u>\$ 1,222,884</u>	<u>\$ 28,220</u>	<u>(8,658,952)</u>

General revenues:

Property taxes levied for:	
General purposes	2,206,048
Classroom facilities maintenance	35,649
Debt service	188,772
Income taxes levied for:	
General purposes	1,817,795
Grants and entitlements not restricted to specific programs	4,974,677
Investment earnings	2,833
Miscellaneous	73,596
Total general revenues	<u>9,299,370</u>
Change in net position	640,418
Net position at beginning of year (restated)	<u>(333,835)</u>
Net position at end of year	<u>\$ 306,583</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,093,273	\$ 372,852	\$ 1,466,125
Receivables:			
Property taxes	2,306,032	237,524	2,543,556
Income taxes	716,426	-	716,426
Accounts	352	-	352
Intergovernmental	93,664	80,358	174,022
Prepayments	62,732	-	62,732
Inventory held for resale	-	5,066	5,066
Total assets	<u>\$ 4,272,479</u>	<u>\$ 695,800</u>	<u>\$ 4,968,279</u>
Liabilities:			
Accounts payable	\$ 50,551	\$ 4,282	\$ 54,833
Accrued wages and benefits payable	717,926	24,486	742,412
Compensated absences payable	101,243	2,762	104,005
Intergovernmental payable	60,698	1,939	62,637
Pension obligation payable	122,390	13,201	135,591
Total liabilities	<u>1,052,808</u>	<u>46,670</u>	<u>1,099,478</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	1,759,023	181,175	1,940,198
Delinquent property tax revenue not available	163,339	16,824	180,163
Income tax revenue not available	129,456	-	129,456
Intergovernmental revenue not available	82,460	6,707	89,167
Total deferred inflows of resources	<u>2,134,278</u>	<u>204,706</u>	<u>2,338,984</u>
Fund balances:			
Nonspendable:			
Prepays	62,732	-	62,732
Restricted:			
Debt service	-	122,403	122,403
Classroom facilities maintenance	-	60,240	60,240
Food service operations	-	112,314	112,314
Special education	-	39,991	39,991
Targeted academic assistance	-	23,682	23,682
Other purposes	-	10,198	10,198
Extracurricular	-	75,596	75,596
Committed:			
Underground storage tank	11,000	-	11,000
Assigned:			
Student instruction	1,050	-	1,050
Public school support	40,284	-	40,284
School supplies	1	-	1
Other purposes	1,102	-	1,102
Unassigned	969,224	-	969,224
Total fund balances	<u>1,085,393</u>	<u>444,424</u>	<u>1,529,817</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,272,479</u>	<u>\$ 695,800</u>	<u>\$ 4,968,279</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental fund balances		\$	1,529,817
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			15,396,243
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	180,163	
Income taxes receivable		129,456	
Intergovernmental receivable		89,167	
Total		398,786	398,786
Unamortized premiums on bond issuances are not recognized in the funds.			(101,895)
Unamortized discounts on note issuances are not recognized in the funds.			4,660
Unamortized deferred charges on refundings are not recognized in the funds.			68,466
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(13,370)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		793,029	
Deferred inflows of resources - pension		(2,027,657)	
Net pension liability		(11,223,303)	
Total		(12,457,931)	(12,457,931)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(1,660,000)	
Lease-purchase agreement		(1,935,938)	
Compensated absences		(259,782)	
Energy conservation notes payable		(595,000)	
Capital lease obligation		(67,473)	
Total		(4,518,193)	(4,518,193)
Net position of governmental activities		\$	306,583

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Property taxes	\$ 2,218,217	\$ 225,522	\$ 2,443,739
Income taxes.	1,815,942	-	1,815,942
Tuition.	571,635	-	571,635
Earnings on investments	2,833	37	2,870
Charges for services	-	170,082	170,082
Extracurricular.	48,235	140,684	188,919
Classroom materials and fees	23,714	-	23,714
Contributions and donations	70,706	2,458	73,164
Other local revenues	5,490	-	5,490
Intergovernmental - state	5,485,633	45,980	5,531,613
Intergovernmental - federal	-	730,458	730,458
Total revenues	<u>10,242,405</u>	<u>1,315,221</u>	<u>11,557,626</u>
Expenditures:			
Current:			
Instruction:			
Regular.	4,120,111	66,589	4,186,700
Special	1,066,898	283,502	1,350,400
Vocational	160,012	-	160,012
Support services:			
Pupil	560,262	29,761	590,023
Instructional staff	227,506	-	227,506
Administration	907,792	-	907,792
Fiscal	351,760	6,143	357,903
Business.	7,093	-	7,093
Operations and maintenance	996,279	7,500	1,003,779
Pupil transportation	546,061	-	546,061
Central	202,012	5,400	207,412
Operation of non-instructional services:			
Food service operations.	-	425,861	425,861
Extracurricular activities	267,893	150,388	418,281
Debt service:			
Principal retirement.	211,517	285,000	496,517
Interest and fiscal charges	18,076	205,128	223,204
Total expenditures	<u>9,643,272</u>	<u>1,465,272</u>	<u>11,108,544</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>599,133</u>	<u>(150,051)</u>	<u>449,082</u>
Other financing sources (uses):			
Transfers in.	-	215,673	215,673
Transfers (out)	(215,673)	-	(215,673)
Total other financing sources (uses)	<u>(215,673)</u>	<u>215,673</u>	<u>-</u>
Net change in fund balances	383,460	65,622	449,082
Fund balances at beginning of year.	<u>701,933</u>	<u>378,802</u>	<u>1,080,735</u>
Fund balances at end of year.	<u>\$ 1,085,393</u>	<u>\$ 444,424</u>	<u>\$ 1,529,817</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ 449,082

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	17,818	
Current year depreciation		(553,417)	
Total			(535,599)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(13,270)	
Income taxes		1,853	
Intergovernmental		(33,791)	
Total			(45,208)

Repayment of bond and lease-purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

Bonds		175,000	
Lease-purchase agreement		220,147	
Notes		50,000	
Capital leases		51,370	
Total			496,517

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable		2,603	
Amortization of bond premiums		13,738	
Amortization of note discounts		(447)	
Amortization of deferred charges		(9,232)	
Total			6,662

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 687,375

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (477,330)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 58,919

Change in net position of governmental activities \$ 640,418

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,090,314	\$ 2,090,314	\$ 2,188,363	\$ 98,049
Income taxes.	1,838,029	1,838,029	1,846,118	8,089
Tuition.	494,760	494,760	571,635	76,875
Earnings on investments	1,558	1,558	2,828	1,270
Extracurricular.	20,565	20,565	20,645	80
Classroom materials and fees	22,844	22,844	23,168	324
Contributions and donations	25,724	25,724	63,421	37,697
Other local revenues	28,000	28,000	6,430	(21,570)
Intergovernmental - state	5,492,609	5,492,609	5,518,356	25,747
Total revenues	<u>10,014,403</u>	<u>10,014,403</u>	<u>10,240,964</u>	<u>226,561</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,328,244	4,383,891	4,269,351	114,540
Special.	945,872	958,033	1,064,842	(106,809)
Vocational.	164,953	167,074	158,185	8,889
Support services:				
Pupil.	555,395	562,536	520,233	42,303
Instructional staff	251,438	254,671	223,166	31,505
Administration.	842,686	853,521	872,433	(18,912)
Fiscal	372,520	377,310	355,750	21,560
Business	10,416	10,550	7,533	3,017
Operations and maintenance.	1,022,883	1,036,034	1,016,828	19,206
Pupil transportation	727,341	736,693	707,283	29,410
Central.	273,135	276,647	203,088	73,559
Extracurricular activities.	252,358	255,603	268,439	(12,836)
Facilities acquisition and construction	2,063	2,090	-	2,090
Total expenditures	<u>9,749,304</u>	<u>9,874,653</u>	<u>9,667,131</u>	<u>207,522</u>
Excess of revenues over expenditures	<u>265,099</u>	<u>139,750</u>	<u>573,833</u>	<u>434,083</u>
Other financing sources (uses):				
Refund of prior year's expenditures	34,614	34,614	63,077	28,463
Transfers (out).	(212,935)	(215,673)	(215,673)	-
Sale of capital assets	26,570	26,570	-	(26,570)
Total other financing sources (uses)	<u>(151,751)</u>	<u>(154,489)</u>	<u>(152,596)</u>	<u>1,893</u>
Net change in fund balance	113,348	(14,739)	421,237	435,976
Fund balance at beginning of year	604,873	604,873	604,873	-
Prior year encumbrances appropriated	11,571	11,571	11,571	-
Fund balance at end of year	<u>\$ 729,792</u>	<u>\$ 601,705</u>	<u>\$ 1,037,681</u>	<u>\$ 435,976</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2015

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 61,655
Total assets.	<u>\$ 61,655</u>
Liabilities:	
Due to students.	\$ 61,655
Total liabilities	<u>\$ 61,655</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Triad Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State and federal guidelines.

The District is located in Champaign County and includes the Villages of North Lewisburg, Mingo, Woodstock and Cable as well as portions of Zane, Union, Wayne, Rush and Allen Townships. It is staffed by 46 non-certified employees, 69 certified full-time teachers and other personnel who provide services to 921 students and other community members. The District currently operates three instructional buildings and one administrative building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelserger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the state of Ohio, and is composed of 26 school districts, 3 educational service centers, 2 parochial schools, 2 career centers and 4 community schools. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of member districts. The Organization is governed by a Board of Directors consisting of 11 members: two Superintendents from each county that is represented, one treasurer representative, a student services representative, one city school representative and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the Board. Financial information can be obtained from Marcia Wierwille, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

META Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Southwest Ohio Educational Purchasing Council

The Southwest Ohio Educational Purchasing Council (EPC) combines the purchasing power of approximately 130 member school districts in 19 counties. The EPC is governed by a constitution and executive board. Each member district has a representative. To obtain financial information contact Ken Swink at Ken.Swink@SPECschools.org.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOLS

The Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Steve Huzicko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 45235.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

Each participant pays its workers' compensation premium to the state based on the rate for the Program rather than its individual rate. Participation in the Program is limited to school districts that can meet the program's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Program.

Ohio School Plan

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school districts' superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the District's only major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no Trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6) and revenue from District income taxes is recognized in the year in which the income is earned (See Note 7).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, school district income tax, interest, tuition, grants, student fees and rentals.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

Estimated Resources - By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations - Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2015, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$2,833, which includes \$917 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District has a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 20 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and leases are recognized as a liability on the fund financial statements when due.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

P. Unamortized Bond and Note Premium and Discount/Accounting Gain or Loss

Bond and note premiums and discounts are deferred and amortized over the term of the bonds and notes using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and note discounts are presented as a subtraction from the face amount of the notes. A reconciliation between the bonds and notes face value and the amount reported on the statement of net position is presented in Note 11.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow/inflow of resources.

On the governmental fund financial statements, bond and note premiums and discounts are recognized in the current period.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2015.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 13 to the financial statements, and added required supplementary information which is presented on pages 60 - 66.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported	
Deferred outflows - payments subsequent to measurement date	\$ 12,334,141 666,442
Net pension liability	<u>(13,334,418)</u>
Restated net position at July 1, 2014	<u>\$ (333,835)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$1,284,430. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$1,094,626 of the District's bank balance of \$1,344,626 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2015, the District had the following investment and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 243,350	\$ 243,350

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 243,350	100.00

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,284,430
Investments	<u>243,350</u>
Total	<u>\$ 1,527,780</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 1,466,125
Agency fund	<u>61,655</u>
Total	<u>\$ 1,527,780</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	<u>\$ 215,673</u>

Transfers are used to move revenues from the fund that statute or budget requires them to be collected in to the fund that statute or budget requires them to be expended from and to use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated on the government-wide statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Champaign, Logan and Union Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$383,670 in the general fund, \$33,754 in the debt service fund (a nonmajor governmental fund) and \$5,771 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$353,817 in the general fund, \$31,386 in the debt service fund (a nonmajor governmental fund) and \$5,021 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 116,962,520	96.51	\$ 117,141,750	96.45
Public utility personal	<u>4,224,300</u>	<u>3.49</u>	<u>4,313,870</u>	<u>3.55</u>
Total	<u>\$ 121,186,820</u>	<u>100.00</u>	<u>\$ 121,455,620</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$25.60		\$25.60	
Debt service	1.75		1.75	
Classroom facilities maintenance	0.50		0.50	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The school district income tax (SDIT) is an income tax separate from federal, State and city income taxes which is earmarked specifically to support school districts. Residents pay the tax through employer withholding, individual quarterly estimates, and annual returns which are remitted to the Ohio Department of Taxation. Payments are made to the District through the Ohio Department of Taxation. The available money is distributed to the District quarterly. Quarterly payments contain the total gross collections, less refunds and administrative fees, and also include interest earned. The total available is usually sent to the District within a month of the end of the quarter.

The District has a 1.5% SDIT. 1.0% is a continuing tax, while .50% was approved in 2014 for five years and will be up for possible renewal again in 2020. SDIT revenue received by the general fund during fiscal year 2015 was \$1,815,942.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 2,543,556
Income taxes	716,426
Accounts	352
Intergovernmental	<u>174,022</u>
Total	<u>\$ 3,434,356</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance			Balance
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 414,157	\$ -	\$ -	\$ 414,157
Total capital assets, not being depreciated	<u>414,157</u>	<u>-</u>	<u>-</u>	<u>414,157</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	120,725	-	-	120,725
Building and improvements	19,996,804	-	-	19,996,804
Furniture and equipment	1,103,200	-	-	1,103,200
Vehicles	1,060,669	17,818	-	1,078,487
Total capital assets, being depreciated	<u>22,281,398</u>	<u>17,818</u>	<u>-</u>	<u>22,299,216</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(39,389)	(6,566)	-	(45,955)
Building and improvements	(5,341,960)	(400,070)	-	(5,742,030)
Furniture and equipment	(922,969)	(63,508)	-	(986,477)
Vehicles	(459,395)	(83,273)	-	(542,668)
Total accumulated depreciation	<u>(6,763,713)</u>	<u>(553,417)</u>	<u>-</u>	<u>(7,317,130)</u>
Governmental activities capital assets, net	<u>\$ 15,931,842</u>	<u>\$ (535,599)</u>	<u>\$ -</u>	<u>\$ 15,396,243</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 210,525
Special	35,435
Vocational	9,376
<u>Support services:</u>	
Pupil	19,835
Instructional staff	9,824
Administration	44,131
Fiscal	10,783
Operations and maintenance	39,838
Pupil transportation	130,898
Central	7,218
<u>Operation of non-instructional services:</u>	
Food service operations	12,964
Extracurricular activities	<u>22,590</u>
Total depreciation expense	<u>\$ 553,417</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into a capitalized lease for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$249,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2015 was \$174,300, leaving a current book value of \$74,700. A corresponding liability was recorded in the government-wide statement of net position. Principal payments in the 2015 fiscal year were as follows: \$51,370 paid by the general fund.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 55,577
2017	<u>13,894</u>
Total minimum lease payments	69,471
Less: amount representing interest	<u>(1,998)</u>
Total	<u>\$ 67,473</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2015, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.

	<u>Restated Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
Series 2006 G.O. Bonds:					
Current interest	\$ 1,835,000	\$ -	\$ (175,000)	\$ 1,660,000	\$ 180,000
Series 2010 energy conservation notes	645,000	-	(50,000)	595,000	50,000
Capital lease agreement	118,843	-	(51,370)	67,473	53,680
Lease-purchase agreement	2,156,085	-	(220,147)	1,935,938	64,000
Compensated absences	346,658	47,546	(30,417)	363,787	105,820
Net pension liability	<u>13,334,418</u>	<u>-</u>	<u>(2,111,115)</u>	<u>11,223,303</u>	<u>-</u>
Total	<u>\$ 18,436,004</u>	<u>\$ 47,546</u>	<u>\$(2,638,049)</u>	15,845,501	<u>\$ 453,500</u>
Add: Unamortized premium on bond issuance				101,895	
Less: Unamortized discounts on note issuance				<u>(4,660)</u>	
Total on statement of net position				<u>\$15,942,736</u>	

Compensated absences will be paid from the fund which the employees' salaries are paid, which are the general fund and the food service fund (a nonmajor governmental fund).

See Note 13 for detail on the District's net pension liability.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The capital lease obligation will be paid from the general fund. See Note 10 for details.

- B. Series 2006 Bonds** - On January 26, 2006 the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 2000 Construction Bonds (principal \$2,335,000). Issuance proceeds totaling \$2,490,400 were deposited with an escrow agent and were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$2,150,000, and capital appreciation bonds, par value \$184,994. The final stated maturity of the current interest bonds is December 1, 2022.

Payments of principal and interest on the Series 2006A refunding bonds will be made from the debt service fund (a nonmajor governmental fund). The following is a summary of the future debt service requirements to maturity:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2016	\$ 180,000	\$ 65,513	\$ 245,513
2017	190,000	58,312	248,312
2018	195,000	50,713	245,713
2019	200,000	43,400	243,400
2020	210,000	35,800	245,800
2021 - 2023	685,000	55,600	740,600
Total	<u>\$ 1,660,000</u>	<u>\$ 309,338</u>	<u>\$ 1,969,338</u>

- C. Series 2010 Energy Conservation Notes** - During fiscal year 2011, the District issued \$798,000 of energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The unmatured obligations at year end are accounted for in the statement of net position. The energy conservation project was primarily for various building maintenance and repairs, which have not been capitalized by the District.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 50,000	\$ 29,925	\$ 79,925
2017	50,000	27,300	77,300
2018	55,000	24,544	79,544
2019	55,000	21,656	76,656
2020	55,000	18,769	73,769
2021 - 2025	275,000	50,531	325,531
2026	<u>55,000</u>	<u>1,444</u>	<u>56,444</u>
Total	<u>\$ 595,000</u>	<u>\$ 174,169</u>	<u>\$ 769,169</u>

D. Lease-Purchase Agreement

On March 13, 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (RPA) for the purpose of building a new school building and renovating existing buildings. The \$2,300,000 proceeds of this agreement were commingled with funding received from the Ohio School Facilities Commission and the March 23, 2000 issuance of General Obligations Bonds to complete the projects. The proceeds are to be paid over 30 ½ years with a final maturity of January 1, 2032. In 2002, the RPA merged with the Columbus Municipal Airport Authority to become Columbus Regional Airport Authority. Principal and interest payments related to this lease-purchase agreement are made from the debt service fund (a nonmajor governmental fund).

On July 7, 2013, the District entered into a lease-purchase agreement with Wells Fargo Equipment Finance, Inc. for the purpose of purchasing five new school buses. The \$415,093 in proceeds are to be repaid over five years with a final maturity of July 1, 2017. Principal and interest payments related to this lease-purchase agreement are made from the general fund.

Principal and interest requirements to retire the lease-purchase obligation at June 30, 2015 follows:

Fiscal Year <u>Ending June 30,</u>	<u>Lease-Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 64,000	\$ 99,994	\$ 163,994
2017	149,972	100,257	250,229
2018	155,966	94,288	250,254
2019	75,000	88,042	163,042
2020	80,000	83,578	163,578
2021 - 2025	475,000	341,020	816,020
2026 - 2030	630,000	182,995	812,995
2031 - 2032	<u>306,000</u>	<u>17,856</u>	<u>323,856</u>
Total	<u>\$ 1,935,938</u>	<u>\$ 1,008,030</u>	<u>\$ 2,943,968</u>

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$9,005,161 (including available funds of \$122,403) and an unvoted debt margin of \$117,142.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2015, the District purchased insurance through the Ohio School Plan (the "OSP"), (an insurance purchasing pool) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by OSP are as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Building and Contents - Replacement Cost	\$44,095,111	\$1,000
Audio Visual Equipment	included	1,000
Miscellaneous Equipment	included	1,000
Electronic Equipment	included	1,000
Automobile Liability	5,000,000	1,000
General Liability		
Per occurrence	3,000,000	0
Total per year	5,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RISK MANAGEMENT - (Continued)

The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical

The District is currently working with a broker, McGohan Brabender to manage all healthcare insurance needs including vision, dental and life. Anthem Blue Cross/Blue Shield is the current PPO and HDHP provider and the District is fully insured with this company. The District does make contributions into an employee health savings account for those who choose the High Deductible Health Plan.

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$160,912 for fiscal year 2015. Of this amount \$15,067 is reported as pension obligation payable.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$526,463 for fiscal year 2015. Of this amount, \$82,960 is reported as pension obligation payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 2,145,131	\$ 9,078,172	\$ 11,223,303
Proportion of the Net Pension Liability	0.04238600%	0.03732270%	
Pension Expense	\$ 125,182	\$ 352,148	\$ 477,330

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 18,257	\$ 87,397	\$ 105,654
School District contributions subsequent to the measurement date	160,912	526,463	687,375
Total Deferred Outflows of Resources	\$ 179,169	\$ 613,860	\$ 793,029
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 348,161	\$ 1,679,496	\$ 2,027,657
Total Deferred Inflows of Resources	\$ 348,161	\$ 1,679,496	\$ 2,027,657

\$687,375 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	\$ (82,476)	\$ (398,025)	\$ (480,501)
2017	(82,476)	(398,025)	(480,501)
2018	(82,476)	(398,025)	(480,501)
2019	(82,476)	(398,024)	(480,500)
Total	\$ (329,904)	\$ (1,592,099)	\$ (1,922,003)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**TRIAD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,060,465	\$ 2,145,131	\$ 1,375,257

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 12,996,393	\$ 9,078,172	\$ 5,764,676

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$22,989.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$30,747, \$18,858, and \$18,461, respectively. For fiscal year 2015, 91.18 percent has been contributed, with the balance being reported as pension obligation payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description - The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$40,203, and \$41,772, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 421,237
Net adjustment for revenue accruals	(29,295)
Net adjustment for expenditure accruals	51,520
Net adjustment for other sources/uses	(63,077)
Funds budgeted elsewhere	(1,550)
Adjustment for encumbrances	4,625
GAAP basis	<u>\$ 383,460</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the rotary fund, public school support fund, underground storage tank fund and the uniform school supplies fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	158,014
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(384,914)
Excess qualified expenditures from prior years	-
Current year offsets	(40,169)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (267,069)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 2,623
Nonmajor governmental funds	<u>5,394</u>
Total	<u>\$ 8,017</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.04238600%	0.04238600%
District's proportionate share of the net pension liability	\$ 2,145,131	\$ 2,520,559
District's covered-employee payroll	\$ 1,231,645	\$ 1,291,062
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	195.23%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.03732270%	0.03732270%
District's proportionate share of the net pension liability	\$ 9,078,172	\$ 10,813,859
District's covered-employee payroll	\$ 3,813,354	\$ 4,498,531
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	240.39%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 160,912	\$ 170,706	\$ 178,683	\$ 186,784
Contributions in relation to the contractually required contribution	<u>(160,912)</u>	<u>(170,706)</u>	<u>(178,683)</u>	<u>(186,784)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,220,880	\$ 1,231,645	\$ 1,291,062	\$ 1,388,729
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 188,731	\$ 191,300	\$ 185,694	\$ 177,880	\$ 169,989	\$ 174,806
<u>(188,731)</u>	<u>(191,300)</u>	<u>(185,694)</u>	<u>(177,880)</u>	<u>(169,989)</u>	<u>(174,806)</u>
<u>\$ -</u>					
\$ 1,501,440	\$ 1,412,851	\$ 1,887,134	\$ 1,811,405	\$ 1,591,657	\$ 1,652,231
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 526,463	\$ 495,736	\$ 584,809	\$ 630,402
Contributions in relation to the contractually required contribution	<u>(526,463)</u>	<u>(495,736)</u>	<u>(584,809)</u>	<u>(630,402)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,760,450	\$ 3,813,354	\$ 4,498,531	\$ 4,849,246
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$ 653,706	\$ 599,610	\$ 609,902	\$ 569,422	\$ 553,694	\$ 523,245
(653,706)	(599,610)	(609,902)	(569,422)	(553,694)	(523,245)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,028,508	\$ 4,612,385	\$ 4,691,554	\$ 4,380,169	\$ 4,259,185	\$ 4,024,962
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

SUPPLEMENTARY DATA

**TRIAD LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(D)(E) School Breakfast Program	10.553	2015	\$ 73,416	\$ 73,416
(C)(E) National School Lunch Program-Food Donation	10.555	2015	26,409	26,409
(D)(E) National School Lunch Program	10.555	2015	148,451	148,451
Total National School Lunch Program			<u>174,860</u>	<u>174,860</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>248,276</u>	<u>248,276</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2014	71,038	62,445
Title I Grants to Local Educational Agencies	84.010	2015	121,381	121,381
Total Title I Grants to Local Educational Agencies			<u>192,419</u>	<u>183,826</u>
Special Education_Grants to States	84.027	2015	129,775	129,775
Improving Teacher Quality State Grants	84.367	2014	3,906	12,309
Improving Teacher Quality State Grants	84.367	2015	42,128	42,128
Total Improving Teacher Quality State Grants			<u>46,034</u>	<u>54,437</u>
ARRA - Race to the Top - Stimulus Grant, Recovery Act	84.395A	2015	12,083	12,083
Total U.S. Department of Education			<u>380,311</u>	<u>380,121</u>
Total Federal Financial Assistance			<u>\$ 628,587</u>	<u>\$ 628,397</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Child Nutrition Cluster" in determining major programs.



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Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Triad Local School District
Champaign County
7920 Brush Lake Road
North Lewisburg, OH 43060

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Triad Local School District, Champaign County, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Triad Local School District's basic financial statements and have issued our report thereon dated November 6, 2015, wherein we noted as discussed in Note 3, the Triad Local School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Triad Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Triad Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Triad Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Triad Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Triad Local District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Triad Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Triad Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
November 6, 2015



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**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Triad Local School District
Champaign County
7920 Brush Lake Road
North Lewisburg, OH 43060

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Triad Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Triad Local School District's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Triad Local School District's major federal program.

Management's Responsibility

The Triad Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Triad Local School District's compliance for the Triad Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Triad Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Triad Local School District's major program. However, our audit does not provide a legal determination of the Triad Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Triad Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Board of Education
Triad Local School District

Report on Internal Control Over Compliance

The Triad Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Triad Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Triad Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 6, 2015

**TRIAD LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

TRIAD LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2016**